

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Schoolcraft	County Kalamazoo
Fiscal Year End March 31, 2007	Opinion Date August 8, 2007	Date Audit Report Submitted to State September 13, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

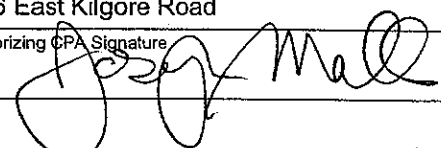
5
11

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not Required	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Authorizing CPA Signature 		Printed Name Joseph M Walls	Zip 49002
		License Number 1101013696	

Township of Schoolcraft
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Schoolcraft, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Schoolcraft, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Schoolcraft, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Schoolcraft, Michigan, as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on pages 18 through 19, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Schoolcraft, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

August 8, 2007

BASIC FINANCIAL STATEMENTS

Township of Schoolcraft
STATEMENT OF NET ASSETS
 March 31, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 875,227
Receivables, net	116,046
Prepaid expenses	<u>31,437</u>
Total current assets	<u>1,022,710</u>
Noncurrent assets:	
Receivables, net	124,895
Capital assets not being depreciated	121,903
Capital assets, net of accumulated depreciation	<u>382,804</u>
Total noncurrent assets	<u>629,602</u>
Total assets	<u>1,652,312</u>
LIABILITIES	
Current liabilities:	
Payables	30,308
Contract payable	<u>45,134</u>
Total current liabilities	75,442
Noncurrent liabilities - contract payable	<u>194,455</u>
Total liabilities	<u>269,897</u>
NET ASSETS	
Invested in capital assets	504,707
Restricted for debt service	147,610
Restricted, nonexpendable	137,598
Unrestricted	<u>592,500</u>
Total net assets	<u>\$ 1,382,415</u>

See notes to financial statements

Township of Schoolcraft
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

		<u>Program revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>grants and</u>
			<u>contributions</u>	<u>contributions</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 2,500	\$ -	\$ -	\$ -
General government	398,893	141,398	9,550	6,792
Public safety	138,174	38,274	-	-
Public works	16,871	19,560	4,786	33,492
Health and welfare	15,160	-	-	-
Community and economic development	33,235	10,122	-	-
Culture and recreation	36,700	-	7,800	-
Interest on long-term debt	<u>11,098</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 652,631</u>	<u>\$ 209,354</u>	<u>\$ 22,136</u>	<u>\$ 40,284</u>
General revenues:				
		Taxes		
		Franchise fees		
		State grants		
		Interest		
		Other		
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

***Net (expenses)
revenues and
changes in
net assets***

***Governmental
activities***

\$ (2,500)
(241,153)
(99,900)
40,967
(15,160)

(23,113)
(28,900)
(11,098)

(380,857)

215,601
21,809
274,495
48,538
1,729

562,172

181,315

1,201,100

\$ 1,382,415

See notes to financial statements

Township of Schoolcraft
BALANCE SHEET - governmental funds
March 31, 2007

	<u>General</u>	<u>Water and Sewer Debt</u>	<u>Cemetery Trust</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 528,140	\$ 206,000	\$ 141,087	\$ 875,227
Receivables	70,993	169,948	-	240,941
Due from other funds	3,489	20,216	-	23,705
Prepaid expenses	31,437	-	-	31,437
Total assets	<u>\$ 634,059</u>	<u>\$ 396,164</u>	<u>\$ 141,087</u>	<u>\$ 1,171,310</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 21,343	\$ -	\$ -	\$ 21,343
Due to other funds	20,216	-	3,489	23,705
Deferred revenue	-	164,839	-	164,839
Total liabilities	<u>41,559</u>	<u>164,839</u>	<u>3,489</u>	<u>209,887</u>
Fund balances:				
Restricted	-	-	137,598	137,598
Unreserved, undesignated	<u>592,500</u>	<u>231,325</u>	<u>-</u>	<u>823,825</u>
Total fund balances	<u>592,500</u>	<u>231,325</u>	<u>137,598</u>	<u>961,423</u>
Total liabilities and fund balances	<u>\$ 634,059</u>	<u>\$ 396,164</u>	<u>\$ 141,087</u>	<u>\$ 1,171,310</u>
Total fund balances				\$ 961,423
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:				
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.				504,707
Assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.				164,839
Accrued interest payable on long-term liabilities does not require current resources and, therefore, is not recorded in the funds.				(8,965)
Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(239,589)</u>
Net assets of <i>governmental activities</i>				<u>\$ 1,382,415</u>

See notes to financial statements

Township of Schoolcraft**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2007

	<u>General</u>	<u>Water and Sewer Debt</u>	<u>Cemetery Trust</u>	<u>Total governmental funds</u>
REVENUES				
Taxes	\$ 311,509	\$ -	\$ -	\$ 311,509
Licenses and permits	59,597	-	-	59,597
State grants	279,281	-	-	279,281
Charges for services	63,312	-	-	63,312
Fines	486	-	-	486
Interest and rentals	41,132	22,034	-	63,166
Other	6,761	37,876	9,550	54,187
Total revenues	<u>762,078</u>	<u>59,910</u>	<u>9,550</u>	<u>831,538</u>
EXPENDITURES				
Legislative	2,500	-	-	2,500
General government	389,464	-	-	389,464
Public safety	138,174	-	-	138,174
Public works	62,018	-	-	62,018
Health and welfare	15,160	-	-	15,160
Community and economic development	33,235	-	-	33,235
Culture and recreation	29,657	-	-	29,657
Capital outlay	955	-	-	955
Debt service				
Principal	-	45,343	-	45,343
Interest	-	12,793	-	12,793
Total expenditures	<u>671,163</u>	<u>58,136</u>	<u>-</u>	<u>729,299</u>
NET CHANGE IN FUND BALANCES	90,915	1,774	9,550	102,239
FUND BALANCES - BEGINNING	<u>501,585</u>	<u>229,551</u>	<u>128,048</u>	<u>859,184</u>
FUND BALANCES - ENDING	<u>\$ 592,500</u>	<u>\$ 231,325</u>	<u>\$ 137,598</u>	<u>\$ 961,423</u>

See notes to financial statements

Township of Schoolcraft
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds (Continued)
Year ended March 31, 2007

	<u>Total governmental funds</u>
Net change in fund balances - total governmental funds	\$ 102,239
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Capital assets:	
Assets acquired	58,023
Provision for depreciation	(21,601)
Special assessments:	
New assessments	38,375
Collections	(42,759)
Long-term debt	
Principal paid	45,343
Accrued interest	<u>1,695</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 181,315</u>

See notes to financial statements

Township of Schoolcraft
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
March 31, 2007

ASSETS

Cash	\$ 10,584
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LIABILITIES

Due to other governmental units	\$ 10,584
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See notes to financial statements

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Schoolcraft, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily property taxes and state shared revenue.

The Water and Sewer Debt Fund accounts for the collection of special assessments and payment of debt for sewer improvements.

The Cemetery Trust Fund is a permanent fund which accounts for assets held by the Township comprised of contributions for perpetual cemetery care. The principal of contributions to permanent funds may not be spent. Investment earnings are spent annually for cemetery maintenance.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township reports one fiduciary fund, its Agency fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Equipment	5 - 15 years

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

v) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Assessor	\$37,800	\$41,261	\$ 3,461
		Cemetery	50,570	53,164	2,594
	Public works	Roads	45,351	48,751	3,400
	Community and economic development	Planning	28,750	30,451	1,701

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 875,227	\$ 10,584	\$885,811

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2007, the Township had deposits with a carrying amount of \$885,811.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$519,452 of the Township's bank balances of \$973,280 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's funds are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Accounts</u>	<u>Special assess- ments</u>	<u>Interest</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
General	\$ 22,651	\$ 3,275	\$ -	\$ -	\$ 45,067	\$ 70,993
Water and Sewer Debt	-	-	164,839	5,109	-	169,948
Totals	<u>\$ 22,651</u>	<u>\$ 3,275</u>	<u>\$ 164,839</u>	<u>\$ 5,109</u>	<u>\$ 45,067</u>	<u>\$ 240,941</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,895</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 121,903	\$ -	\$ -	\$ 121,903
Capital assets being depreciated:				
Buildings and improvements	496,164	2,480	-	498,644
Equipment	108,410	6,792	-	115,202
Infrastructure - shared road costs	39,938	48,751	-	88,689
Subtotal	<u>644,512</u>	<u>58,023</u>	<u>-</u>	<u>702,535</u>
Less accumulated depreciation for:				
Buildings and improvements	(239,675)	(11,462)	-	(251,137)
Equipment	(57,201)	(6,535)	-	(63,736)
Infrastructure - shared road costs	(1,254)	(3,604)	-	(4,858)
Subtotal	<u>(298,130)</u>	<u>(21,601)</u>	<u>-</u>	<u>(319,731)</u>
Total capital assets being depreciated, net	<u>346,382</u>	<u>36,422</u>	<u>-</u>	<u>382,804</u>
Governmental activities capital assets, net	<u>\$ 468,285</u>	<u>\$ 36,422</u>	<u>\$ -</u>	<u>\$ 504,707</u>

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 8,474
Public works	3,604
Culture and recreation	<u>9,523</u>
Total depreciation	<u>\$21,601</u>

NOTE 6 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenues in the governmental funds consist of unavailable special assessments.

NOTE 7 - LONG-TERM LIABILITIES:

Long-term debt at March 31, 2007, is comprised of a note payable with an original balance of \$473,018 - used for the Canal Zone water and sewer extensions, which is due in annual installments between \$20,134 and \$45,343 through June 2013, plus interest at 4.49%.

The summary of debt transactions of the Township for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Issued</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due in one year</u>
Note payable	\$ 284,932	\$ -	\$ (45,343)	\$239,589	\$ 45,134

Debt service requirements at March 31, 2007, were as follows:

<u>Year ended March 31:</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 45,134	\$ 10,758
2009	44,916	8,731
2010	44,687	6,714
2011	44,449	4,708
2012	20,134	2,712
2013-2014	<u>40,269</u>	<u>2,712</u>
Totals	<u>\$ 239,589</u>	<u>\$ 36,335</u>

NOTE 8 - PAYABLES:

At March 31, 2007, payables in the governmental funds are comprised of \$10,411 accounts payable and \$10,932 accrued payroll liabilities in the General Fund.

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At March 31, 2007, interfund balances are comprised of debt service assessments deposited in the General Fund as well as expendable interest not paid to General Fund as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Sewer debt	\$ 20,216	General	\$ 20,216
General	<u>3,489</u>	Cemetery trust	<u>3,489</u>
	<u>\$ 23,705</u>		<u>\$ 23,705</u>

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - JOINT VENTURES:

a) South County Sewer and Water Authority:

The Township is a member of the South County Sewer and Water Authority (the Authority), which is a joint venture of the Townships of Schoolcraft, Brady, and Pavilion, and the Village of Schoolcraft. The administrative board of the Authority consists of members appointed by each participating unit. The Authority was formed to oversee water and sewer construction and operations for projects financed through the issuance of debt by the component units and the Kalamazoo County Board of Public Works. Revenues sufficient to cover operating and debt service expenditures are raised through assessments on the benefited properties.

b) South Kalamazoo County Fire Authority:

The Township is a member of the South Kalamazoo County Fire Authority (the Authority), which is a joint venture of the Townships of Schoolcraft, Brady, Prairie Ronde, and Wakeshma, and the Villages of Schoolcraft and Vicksburg. The administrative board of the Authority consists of members appointed by each participating unit and a member at-large. The Authority was formed to jointly provide fire protection services within the combined service area, which encompasses the participating municipalities. During the year ended March 31, 2007, the Township of Schoolcraft contributed \$100,266 as its proportionate share of the Authority's budgeted costs. Complete audited financial statements for the Authority can be obtained from the Treasurer of the Township of Schoolcraft.

Township of Schoolcraft
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all its elected officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan State Statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Officials are eligible to participate from the date they are elected to office. The Township annually contributes 10% of the participant's base salary and participants are immediately 100% vested. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets. The Township made the required contributions of \$10,000.

NOTE 13 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2007, is as follows:

Revenues	\$37,788
Expenses	<u>37,908</u>
Deficiency of revenues over expenses	<u>\$ (120)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Schoolcraft
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 305,100	\$ 305,100	\$ 311,509	\$ 6,409
Licenses and permits	83,100	83,100	59,597	(23,503)
State grants	278,500	278,500	279,281	781
Charges for services	61,700	61,700	63,312	1,612
Fines	-	-	486	486
Interest and rentals	11,300	11,300	41,132	29,832
Other	14,000	14,000	6,761	(7,239)
Total revenues	<u>753,700</u>	<u>753,700</u>	<u>762,078</u>	<u>8,378</u>
EXPENDITURES				
Legislative	<u>3,000</u>	<u>3,000</u>	<u>2,500</u>	<u>500</u>
General government:				
Supervisor	32,500	32,500	32,500	-
Elections	9,000	14,344	14,344	-
Assessor	37,500	37,800	41,261	(3,461)
Clerk	32,500	32,500	32,500	-
Board of review	1,100	1,100	1,200	(100)
Treasurer	32,500	32,500	32,500	-
Hall and grounds	22,050	23,150	22,215	935
Cemetery	48,400	50,570	53,164	(2,594)
Other general government:				
Office salaries and wages	20,000	20,000	18,312	1,688
Payroll taxes	1,850	3,450	3,529	(79)
Pension	13,000	13,000	11,868	1,132
Health insurance	40,000	40,000	35,516	4,484
Office supplies	6,300	6,300	6,564	(264)
Postage and legal notices	9,000	10,000	9,924	76
Dues	4,500	4,650	4,643	7
Audit and accounting	8,800	8,800	6,800	2,000
Computer support	7,000	12,400	11,911	489
Engineering	9,000	9,600	11,079	(1,479)
Legal services	22,000	17,200	14,615	2,585
General insurance	16,000	16,000	19,629	(3,629)
Other	5,750	6,703	5,390	1,313
Total general government	<u>378,750</u>	<u>392,567</u>	<u>389,464</u>	<u>3,103</u>
Public safety:				
Fire Authority	99,600	100,270	100,266	4
Building inspections	65,000	65,000	37,908	27,092
Total public safety	<u>164,600</u>	<u>165,270</u>	<u>138,174</u>	<u>27,096</u>

Township of Schoolcraft
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Public works:				
Roads	\$ 40,000	\$ 45,351	\$ 48,751	\$ (3,400)
Street lights	5,750	5,750	6,069	(319)
Water and sewer	3,500	3,500	4,092	(592)
Hazardous waste	2,500	2,500	3,106	(606)
Total public works	<u>51,750</u>	<u>57,101</u>	<u>62,018</u>	<u>(4,917)</u>
Health and welfare:				
Ambulance	-	7,000	7,000	-
Pollution control	4,000	8,100	8,160	(60)
Total health and welfare	<u>4,000</u>	<u>15,100</u>	<u>15,160</u>	<u>(60)</u>
Community and economic development:				
Planning	28,750	28,750	30,451	(1,701)
Zoning	4,700	4,700	2,784	1,916
Total community and economic development	<u>33,450</u>	<u>33,450</u>	<u>33,235</u>	<u>215</u>
Culture and recreation:				
Recreation programs	2,500	2,500	2,500	-
Community center	6,000	6,000	6,000	-
Library	750	750	-	750
Township park	20,000	20,000	19,657	343
Historical society	1,000	1,000	500	500
Independence Day celebration	1,000	1,000	1,000	-
Total culture and recreation	<u>31,250</u>	<u>31,250</u>	<u>29,657</u>	<u>1,593</u>
Capital outlay	<u>6,500</u>	<u>4,900</u>	<u>955</u>	<u>3,945</u>
Total expenditures	<u>673,300</u>	<u>702,638</u>	<u>671,163</u>	<u>31,475</u>
NET CHANGE IN FUND BALANCES	80,400	51,062	90,915	39,853
FUND BALANCES - BEGINNING	<u>501,585</u>	<u>501,585</u>	<u>501,585</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 581,985</u>	<u>\$ 552,647</u>	<u>\$ 592,500</u>	<u>\$ 39,853</u>

**Members of the Township Board
Township of Schoolcraft, Michigan**

In planning and performing our audit of the financial statements of the Township of Schoolcraft as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Schoolcraft's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Schoolcraft and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

August 8, 2007